

Economic and Health Services Perspectives

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Economic research contributes to our understanding of alcohol consumption behavior and the prevention and treatment of alcohol-related problems in several ways. This chapter reviews three areas in which the tools of economic analysis have produced significant insights in recent years. First, economic researchers have analyzed the effects of beverage prices and taxation on alcohol consumption and on adverse consequences associated with alcohol use. Second, analyses of the costs and cost-effectiveness of treatment for alcohol use disorders have provided insight into the long-term costs and benefits of alternative approaches to alcoholism treatment. Finally, studies have incorporated economic techniques in estimating the overall magnitude of the burden placed on society by the misuse of alcoholic beverages.

Among the most traditional areas of economic research is demand analysis, which emphasizes the role of prices in determining how much of a particular good consumers will choose to purchase. Because changes in levels of alcohol consumption may have significant health effects, and because prices can be influenced by changes in tax policies, there is keen interest among researchers and policy makers to understand how changes in alcoholic beverage prices may affect alcohol consumption and alcohol-related problems.

The first section of this chapter reviews recent studies of the effects of alcoholic beverage prices and taxes on the consumption of alcohol and on adverse consequences of alcohol consumption, particularly traffic crash fatalities. There is a well-established consensus in the research literature that alcohol consumption responds to price or tax changes in the same way that most other goods do, which is that consumption declines in response to increases in price. However, estimates of the magnitude of the response—that is, of just how sensitive consumption may be to price or tax changes—exhibit a fairly wide range. Recent research has analyzed a variety of issues related to the effects of changes in alcoholic beverage prices or taxes, including possible interactions with demands for other goods and considerations that bear on the choice of appropriate tax rates. Recent studies that show particular promise have looked at how price or tax effects may vary across different groups of drinkers or different categories of drinking behavior.

Economic reasoning also has a central role in health services research. Health services research has been defined as studies of “the impact of the organization, financing, and management of health services on the quality, cost, access to and outcomes of care” (P.L. 101-321, Section 409). This research has assumed growing significance in the full range of issues pertaining to health care, including issues relating specifically to treatment of alcohol use disorders. Studies of the costs and cost-effectiveness of alcoholism

treatment are firmly within the mainstream tradition of health services research, and research developments in this area may find further application in other areas of health services research as well. Similarly, estimates of the economic costs of alcohol abuse—which incorporate the total costs of treating alcohol use disorders and the various medical consequences of alcohol consumption—have been at the forefront of research on the economic costs associated with particular diseases and conditions. Continued progress in these areas may contribute to health services research more broadly as well as to our understanding of issues pertaining specifically to alcohol.

The second section of the chapter reviews research on the costs and cost-effectiveness of alcohol treatment services. Some of the topics that fall under this heading, such as studies of the extent to which treatment for alcoholism leads to subsequent reductions in overall health care costs, are well established in the literature. Other topics have garnered the attention of researchers more recently, such as analyses of the relative cost-effectiveness of

different lengths of stay for inpatient alcoholism treatment. These developments have been complemented by significant advances in the methodological tools available for measuring costs and conducting cost-effectiveness studies.

The final section of this chapter reviews the latest estimates of the economic costs of alcohol abuse. The most recent study of this issue reports that the overall estimated cost of alcohol abuse was \$184.6 billion for 1998, and documents the portions of the overall cost attributed to various components, such as health care services, premature deaths, reductions in workers' productivity, and costs associated with alcohol-related crime and motor vehicle crashes. The latest study also examines how the burden of these costs was distributed across different segments of society. The study found that less than half of the costs were borne by alcohol abusers and members of their households; the majority of costs were borne by other parts of society. The nature and measurement of these costs, as well as limitations associated with these and similar estimates, are discussed in the third section of this chapter.